

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: LSA #02-54

DATE PREPARED: Mar 3, 2003

STATE AGENCY: Department of Environmental Management

DATE RECEIVED: Feb 28, 2003

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Digest of Proposed Rule: This rule amends 326 IAC 10-3-1 to delete emission limits for Ispat Inland in Lake County. It also amends 326 IAC 10-4 to change compliance dates, amend emission trading allowances, and add formulas for efficiency programs. The effective date is 30 days after filing with the Secretary of State. This rule also affects Purdue University.

Governmental Entities: See below.

Regulated Entities: This rule affects emissions from two sources that are already subject to regulation: Ispat Inland in Lake County and Purdue University.

Under current rules, Ispat Inland's emissions from some units are controlled under 326 IAC 10-3, which regulates blast furnace gas-fired boilers, while emissions from other units are controlled by 326 IAC 10-4, the emissions trading program. Ispat Inland requested to have the emission limits for all of their boilers moved into the emissions trading program. This rulemaking moves Ispat Inland's blast furnace gas-fired boilers from being subject to flat emission limitations to participation in the emissions trading program. This change will require the company to install and operate continuous emissions monitors (CEMs).

Purdue University has one boiler currently under the emissions trading program and three that were accounted as small boilers of less than 250 mmBTU per hour and not regulated under current rule. In April 2002, the U.S. E.P.A. notified IDEM that the three boilers are large non-EGU units and are, therefore, subject to regulation under the emissions trading program. This rulemaking adds the three boilers to the emissions trading program.

Indiana's NOx rule does not impose costs above the federal NOx rule; however, the state distributes allowances for the emissions trading program. The draft rule allocates 261 allowances to Purdue and 740 to Ispat Inland. If the source is able to comply with the rule using less than the number of allowances allocated, the remaining allowances may be kept or sold to other sources. If a source cannot comply with the number of allowances granted by the rule, it must either add controls to reduce emissions or purchase additional allowances to comply. Purdue will likely have to purchase allowances whereas Ispat will not.

Ispat does not need to purchase allowances because it burns a cleaner fuel, blast furnace gas, and its emission rate is lower than the target emission rate. Purdue's boilers burn coal, and the emission rate is higher than the target.

The fiscal impact includes total costs to the affected sources for the initial 6-year allocation period in the current rule. The rule must be reopened prior to 2009 to evaluate and make new allocations for the post-2009 ozone season.

Overall installation and annual (ozone season) costs are estimated below:

Total costs of installation of CEMs	\$2,654,021
Ispat Inland \$2,100,000	
Purdue University \$554,021 (actual)	

Total annual ozone season costs to include operation and maintenance of CEMs and purchase of allowances for compliance purposes	\$3,666,354
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 Ispat Inland \$100,000 annual or \$600,000 for six years

 Purdue would need 88 allowances * \$4,850 + \$84,259 operation and maintenance = \$511,059 per year for 6 years = \$3,066,354
(It is expected that the cost per ton of NO_x allowances will decrease over time.)

Total costs (2003 – 2009)	\$6,320,375
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Ispat Inland anticipates that the cost of compliance with the NO_x rule will be offset by the sale of NO_x allowances. The sale of unused allocated allowances in 2004-2009 is estimated by Ispat Inland at \$3,288,000.

Information Sources: Janet McCabe, Assistant Commissioner, and Kathryn Watson, Office of Air Quality, Indiana Department of Environmental Management